

Message Text

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PAGE 01 GEORGE 00722 081559Z
ACTION ARA-06

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C O N F I D E N T I A L GEORGETOWN 0722

LIMDIS

E.O. 11652: GDS
TAGS:PFOR,PINT, GY
SUBJECT: GUYANA'S ECONOMCI SITUATION: CONTINGENCY PLANNING

REF: GEORGETOWN 0681

1. IN THE PARM WE OUTLINED THE BROAD TRENDS AND FORCES AT WORK
IN GUYANA WHICH US POLICIES MUST TAKE INTO ACCOUNT IN CHARTING
A COURSE OVER THE NEXT TWO YEARS. THE ECONOMIC SITUATION,
HOWEVER, APPEARS SO GRAVE AT THE MOMENT THAT A CONTINGENCY
COULD UPSET THE NORMAL FUNCTIONING OF THOSE FORCES. I AM
CONCERNED THAT SUCH A CONTINGENCY MAY BE NEARLY AT HAND.

2. AS INDICATED IN THE PARM, THE GOG COULD BE FORCED TO SEEK
TO RESCHEDULE ITS EXTERNAL DEBT AND/OR OBTAIN BUDGET SUPPORT
FROM FOREIGN SOURCES. IT HAS HOPED TO SCRAPE BY FOR THE TIME
BEING BY SPARTAN CONTROL OVER IMPORTS INCREASED DEBT, AND USE OF THE
LIMITED FOREIGN EXCHANGE AVAILABLE ONLY FOR PAYMENT OF FOREIGN DEBTS.
BUT AN IMPORTANT FACTOR IN THIS CALCULATION HAS BEEN THAT THE
MARVEST OF THA ALREADY SUB-NORMAL SPRING SUGAR CROP WOULD GO SMOOTHLY
AND EARN ENOUGH FOREIGN EXCHANGE TO KEEP GUYANA SOLVENT. A MAJOR
STRIKE IN THE SUGAR INDUSTRY WOULD UPSET THIS CALCULATION.

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 GEORGE 00722 081559Z

3. FOR SOME TIME WE HAVE HARD RUMORS THAT THE SUGAR
WORKERS, WHO ARE PRIMARILY EAST INDIAN AND BELONG TO THE
GENERAL AGRICULTURAL WORKERS UNION (GAWU) AFFILIATED WITH
THE OPPOSITION PEOPLES PROGRESSIVE PARTY (PPP), MIGHT
STRIKE. WE HAVE RECEIVED MORE SPECIFIC REPORTS DURING
THE PAST FEW DAYS THAT THE SUGAR WORKERS UNION WILL TRY TO START
AN INDUSTRY-WIDE STRIKE DURING THE WEEK OF APRIL 12. SUCH

A STRIKE, IF IT LASTED FOR MORE THAN A FEW DAYS, WOULD SERIOUSLY REDUCE THE GOG'S FOREIGN EXCHANGE EARNINGS AND DESTROY THE GOG'S ABILITY TO MEET ITS OBLIGATIONS.

4. THE POLITICAL IMPACT OF SUCH A DEVELOPMENT WOULD ALSO BE SERIOUS. THE POPULACE IS ALREADY RESTIVE DUE TO THE SHORTAGES OF FOOD SUPPLIES AND INCREASING UNEMPLOYMENT. WE HAVE JUST LEARNED THAT PAY CHECKS ISSUED BY TWO GOG AGENCIES HAD TO BE HELD UP BECAUSE OF LACK OF MONEY TO COVER THEM. WORK HAS STOPPED ON A NUMBER OF PROJECTS.

5. IT APPEARS TO ME THAT THE ECONOMIC SITUATION AND FOREIGN EXCHANGE SHORTAGE ARE SO SERIOUS NOW THAT A PROLONGED SUGAR STRIKE, CUTTING OFF PROSPECTS FOR IMMEDIATE FOREIGN EXCHANGE INCOME WOULD FORCE THE GOG TO ONE OF THE FOLLOWING COURSES OF ACTION:

A. TURN TO THE US OR OTHER WESTERN DONORS FOR A SUPPORT LOAN AND/OR SEEK RESCHEDULING OF ITS DEBTS. PROBABLY IT WOULD TRY TO GET BOTH.

B. ACCEDE TO JAGAN'S TERMS FOR "POWER SHARING" IN A NATIONAL UNITY GOVERNMENT AND CHANGE GUYANA'S INSTITUTIONS TO MEET JAGAN'S DEMANDS THAT "SCIENTIFIC SOCIALISM" BE ADOPTED. IN RETURN, JAGAN WOULD CALL OFF THE STRIKE AND, IF THE TERMS WERE RIGHT, ARRANGE FOR FINANCIAL RELIEF FROM THE SOVIET UNION.

∴ FOR THE TIME BEING REFUSE TO PAY ITS DEBTS. THIS IS THE LEAST PROBABLE OF THE ABOVE COURSES OF ACTION BECAUSE GUYANA HAS AN IMPORTANT STAKE IN KEEPING ITS CREDIT RATING STRONG.

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PAGE 03 GEORGE 00722 081559Z

6. THE USG SHOULD BEGIN CONSIDERING HOW IT WOULD RESPOND TO GUYANESE ACTIONS AS OUTLINED ABOVE. EVEN IN THE ABSENCE OF A SUGAR STRIKE, THE GOG MAY BE FORCED TO EXPLORE ALTERNATIVES A, B AND C WITHIN THE NEXT FEW MONTHS.

GUYANA'S PRESENT VULNERABILITY PROVIDES OPPORTUNITIES FOR THE VARIOUS FOREIGN GOVERNMENTS COMPETING HERE TO ENHANCE THEIR INFLUENCE. IF A CRISIS DEVELOPS, THE NATION OR NATIONS WHICH WOULD PROVIDE THE NECESSARY ASSISTANCE TO ENABLE THE GOG TO SURVIVE, COULD SET FIRM POLITICAL AND ECONOMIC CONDITIONS AS THE PRICE OF THE ASSISTANCE.

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